

The BELFOR Culture

An Interview with Sheldon Yellen,
 Chief Executive Officer, BELFOR Property Restoration



Sheldon Yellen

EDITORS' NOTE Sheldon Yellen has built himself a robust reputation as a true, authentic leader for his unconventional management style and boasts a culture of "Doing The Right Thing, Even When Nobody Is Watching." He refers to every employee – whether a field technician or front office associate – as a member of the "BELFOR Family." Yellen believes that concentrating on employees first, making sure they are valued, cherished, treasured, and respected, has been the secret to the success of BELFOR. He truly believes in his heart that showing emotion – no matter where or to who – is a sign of strength, not weakness. Yellen received national acclaim and an Emmy Award Nomination for his

compassionate style when he was featured on CBS' hit series, Undercover Boss. Widely recognized as a preeminent figure in the property restoration industry and a sought-after speaker on management and business topics, Yellen has developed an influential following of decision makers.

COMPANY BRIEF BELFOR Property Restoration (belfor.com) is the worldwide leader in disaster recovery and property restoration services. With more than 300 full-service offices around the world (presently located in 31 countries), the company is geographically positioned to respond to any disaster – large or small – throughout the world. A proven track record of superior response and unmatched resources has made BELFOR the contractor of choice for damages caused by fire, water, wind, and other catastrophes. BELFOR USA Group is a privately owned subsidiary of BELFOR Holdings, Inc. and operates under the brand name of BELFOR Property Restoration.

What has been the secret to the success of BELFOR?

Our competitive advantage is simple: it's our "people culture." Other groups that have come into the space, including private equity firms, family offices, and other industrial investors have realized that money alone cannot beat this culture we have spent more than 30 years building.

I recently left a regional manager meeting and people got up and spoke randomly about experiences they've had relating to our culture – how the company has stood behind them in times of need, with unfortunate circumstances – such as having a sick child. When a parent needs time off, they volunteer that they have three weeks' vacation coming and five personal days, and they talk about trying to get back after one month. The first thing we do is tell them to take the time they need. They then find out a few months later that we never took their vacation or personal days, and we don't want to take them.

BELFOR stands behind its employees. When we have been doing things like this for 30 years, it becomes part of the fiber of what holds these people so near and dear to one another, to fight for the business, to fight for the good of the company, and to know that in their time of need, the company is there for them. When it's their time to give to the company, they're giving all they can.

It's a competitive advantage, as is our employee retention. Our reputation among our employees in the communities we serve is a competitive advantage. We're not just extracting water or putting a nail into a piece of plywood. We're going out with the belief that we're "restoring more than property." We're the beginning of someone's rebuilding

process – not just of their home or business but of getting their lives back to normal. It's culture and we believe it.

How hard is it when you've grown so much to keep that family feel and closeness?

We have a process in place that ensures when a BELFOR family member is in need, it gets passed up to me. When things find a way to my desk, we always make decisions to support our families. At any given time today, we probably have 50 to 65 families we are supporting who in some way cannot physically work at the present time for one reason or another.

In my closing comments at this regional meeting, I thanked every person in the room for recognizing the importance of giving. Before we give to the communities we serve, which we do, we give to each other. We don't drain the company of resources, we don't just enrich ourselves as stockholders – the money stays in the business to cover those in need, to make sure we can pay everyone during the slow times and to make sure the people among us benefit from this philosophy.

It has gotten harder as we have gotten bigger, but it remains the right thing to do.

As your capabilities have grown, does the name BELFOR Property Restoration fully capture what this company is today?

We have added a tagline, "restoring more than property." We truly do that through our services, compassionately and emotionally.

The 30-some years of sensitivity training we have put out for our people and the relationships we have built over the years with previous customers shows clearly we are "restoring more than property." Lifelong friendships have developed – we get involved in so much more than just the rebuilding of property. We are now doing personal property contents, paper reclamation, machinery restoration, etc. We're doing so much more than what our core business is. We're making our own chemical solutions now because we want to be green – there is no toxicity in our chemicals; they are plant based. We bought a manufacturing plant and are now testing, refining, and producing our own chemicals, which are distributed only to BELFOR offices.

When you have such a large piece of the market, are there still organic growth opportunities or will growth come back to acquisition?

At our \$1.5 billion scale (and largest in the world), we are still but a small piece of the insurance restoration market. It's a very splintered market. We are many times larger than our next closest competitor.

What we do is very difficult: working in people's homes and businesses in addition to being efficient. There are many examples of money coming into the space through private equity and local investors where investors have lost their investments. There are many businesses that have tried to scale up to be the next BELFOR only to fall short.

The business is financially sound, but naturally the process takes time in order to go through the insurance adjustment process and then getting consultants and accountants to confirm everything. By the time that process runs its course, there can be money outstanding for several months. As an individual operator, one can only grow so quickly with that cash demand and situation.

The field for us is vast. We are less than 7 percent of the entire market. I don't think anyone imagined we would be able to scale to the level we have. This goes back to culture and the unconventional management style we have, so our future looks bright.

We continue to open up offices organically as well as making acquisitions – we recently made an acquisition in Denmark and they will be opening two more organic offices there.

This year, we have nine organic offices scheduled and seven acquisitions on the table right now.

Is there such a thing as long-term planning in this business?

Because of our history and because of our knowledge of the past, we know that in a given geography, there will be a given number of incidents – fires, floods, wind damage, vehicles driving through buildings and/or homes; unfortunately, it just happens – it's inevitable.

Our historical information enables us to project the upcoming year for a given market. Regional managers handle anywhere from nine to 14 offices and we sit down with our regional managers and go through all of their local operations each year. We develop a future projection, and we staff accordingly based on those projections.

When a call comes in, we have staff in place to respond and, with our scale, we have the ability to call upon resources from other offices within close proximity. That's what our clients rely on us for – we have to be there when the unexpected happens, day or night.

Managing labor and moving labor around the world, not just domestically, is another competitive advantage. Thanks to years of experience and building strong relationships based on trust and the belief in what we're doing, we have people "ready" at any given time to be dispatched to restore and help rebuild our Red Alert clients' facilities throughout the world.

At a time when there is such debate around the jobs of the future, what type of people do you look for and is there an adequate supply of people to fill the roles?

We are in the "helping people" business, and therefore, when it comes to hiring talent, I want to look at someone and feel what's in their heart, not read about their skills on paper. To that point, I have yet to read a resume. If someone wants to work with the BELFOR Family (not at BELFOR), they have to have a big heart with passion and compassion. The skill set is important but, first and foremost, it's heart.

As it relates to those skill sets, with all of the technology entering the workplace where we have seen factories all over the world with fewer people and more robots, with what we do, there is still a huge demand for labor. Skilled labor is at an even higher premium today than it was five years ago. There are big initiatives now around the world, not just in the U.S., to take young kids and get them to learn a trade. This is not the way young people are thinking today – everyone is thinking about technology and what they can do to be ready for the future. Technology has also entered our space, and the requirements we face with the insurance companies today for instant communication are greater than ever.

Technology has affected us in positive ways, and throughout the organization – whether in the field or in an office environment – as challenging as change may be, technological advances have helped us all provide enhanced services to people in need throughout the world.

We're lucky in that we're bringing on great people willing to do more than they originally thought they could. We're seeing great promotion from within this company now because people are starting in entry-level positions and moving into management. We are proud to encourage this culture that has been established and built upon throughout the years.

You received a lot of attention when you were on *Undercover Boss*. Was it enlightening for you?

The *Undercover Boss* episode was a great success for the company. When I went undercover and met a few of our people, I had a pretty good handle on what was going on most of the time. The one thing that stuck out to me the most was regarding when the recession hit in 2008 and I put a wage and hiring freeze in place. I did it at that time to protect 6,400 BELFOR families around the world as my number one responsibility to our people is to provide them and their families the security of knowing they would have a job. When Jen in Virginia told me that she was given a promotion and never got a raise, I could have accepted that until she said, "and corporate doesn't care and wouldn't know how I felt." That bothered me because it meant I didn't communicate properly, and that burden was on me.

We made a policy with good intent to protect 6,400 families by issuing a hiring and wage freeze as we didn't know how deep that recession was going to get. Most importantly, we made a commitment that as a result of the recession, there would be no layoffs at BELFOR – and we stayed true to our word.

But Jen in the field felt a burden because she wasn't rewarded and I didn't communicate properly that my intent was to protect those families instead of hurting her or others.

Another realization I had was about someone like Brenda in Indianapolis, who was great at what she did, but she could not pass a test to better herself within our organization because she couldn't read. We didn't have a method in place to recognize that and help her get through it, which bothered me.

The experience helped us culturally, and now I hold town hall meetings and I talk to a hundred of our people – and their families – at a time.

Since *Undercover Boss*, we have received thousands of letters and notes from people around the world. I have tried to write back to most. In fact, I recently made another surprise visit to one of our *Undercover Boss* fans, Aaron, who works at a local Lowe's store in Oklahoma. I arranged to fly into Tulsa – coordinated with his mom and dad, our local BELFOR team, and Lowe's management – to make the surprise a success. I got dressed as Tom Kelly again, walked into the Lowe's with TV cameras, and they had Aaron stationed in the corner working with some aluminum. I came around the corner dressed in the Tom Kelly uniform and walked up to him and asked him to help me, and he immediately recognized me. It was great. We took pictures together, we spent time together, and it's wonderful to do something like that, when a kid tells you it's the best day of his life. I promise you, it was also one of mine.

Is it hard to balance the business with the personal relationship you have with people you work with?

Years ago, we had that burden, when we were a smaller organization. Today, I would consider myself one of the luckiest people around. I'm surrounded by 7,400 of the greatest people on Earth. Our people in the field are such professionals and they take the majority of the burden of the operations today. When you get to stand on the shoulders of such giants, everything is a little bit easier than it used to be. So today, I do have just a bit more balance than I may have had in the past.

I get to do what I call the "good stuff" – I get to meet people and get to know them, and I will take that all day long because that's what matters. It's the bond we establish with our people that is our competitive advantage, and it's sincere.

I truly believe there is a little bit of hero in everybody, so when I go to my town hall meetings, while they all want to hear me talk, I want to hear them talk; I walk up to the first person I see with my microphone and ask them to tell their story. They are always surprised, but I like to do that with several people. Everybody has a story.

I do have to be responsible for the bottom line, but we all have a responsibility to take care of each other first and then the bottom line follows.

Do you ever take moments to appreciate all that has been built at BELFOR?

I reflect often. The journey has been the greatest gift that I could have ever experienced. All of the obstacles that have come along have helped build the foundation this company stands on today. The experiences have allowed us to appreciate not only the peaks and the victories but the valleys and the challenges we faced to continue growing this amazing company. I sit here today and reflect back (at age 59), remembering so many of the tough decisions that have been made to stand up for what was right, whether for others in need, putting others before oneself, and for always protecting the integrity of our culture. I do tear up as I gloss over the names and faces of so many quiet heroes that have rallied throughout the years to what has always been the right thing to do.

That view cannot help but to show me an amazing future ahead as we continue to grow our footprint throughout the world and continue restoring so much more than property for people in need.

Because of all these amazing people I'm surrounded by, I am one grateful and humbled guy. ●